

FARM CREDIT CORPORATION

ANNUAL REPORT 1991-1992

MISSION STATEMENT

"TO PROVIDE THE CANADIAN FARMER
WITH A RELIABLE SOURCE OF LONG-TERM
CREDIT AND PERSONALIZED COUNSELLING
SERVICES."



Head office address
Farm Credit Corporation
434 Queen Street
Ottawa, Ontario
K1P 6J9

The Honourable
Bill McKnight, P.C., M.P.
Minister of Agriculture
Room 401, Confederation Building
House of Commons
Ottawa, Ontario
K1A 0A6

The Honourable
Gilles Loiselle, P.C., M.P.
President of the Treasury Board
Room 807, Confederation Building
House of Commons
Ottawa, Ontario
K1A 0A6

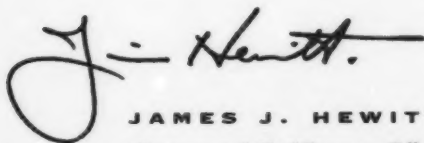
Dear Ministers:

On behalf of the Board of Directors, I am pleased to submit Farm Credit Corporation's (FCC) annual report for the fiscal year ended March 31, 1992.

The report includes the financial statements and the auditor's report, in accordance with the Financial Administration Act.

The Corporation continues to make progress. Increased loan activity and a decline in the number of accounts in arrears have resulted in FCC recording an operating surplus for a second consecutive year. I am pleased to report that FCC has met or exceeded virtually all its performance objectives for the year.

Yours sincerely,



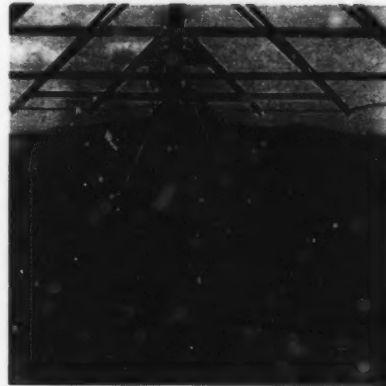
JAMES J. HEWITT

Chairman and Chief Executive Officer

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C O R P O R A T E P R O F I L E

The mandate of the Farm Credit Corporation (FCC) is to make, administer and supervise farm loans, and to carry out such other duties and functions as may be required by the Governor in Council. A Crown corporation reporting to Parliament through the Minister of Agriculture, FCC was established and given its mandate under the authority of the Farm Credit Act (FCA) in 1959.



GORDON DAY,
VEGETABLE AND
GRAIN GROWER
OF COCHIN,
SASKATCHEWAN,
WITH CREDIT
ADVISOR STEVEN
SWALM.

FCC provides mortgage credit and complementary financial services to Canadian farmers on a break-even basis and, when called upon by government, delivers specific programs on a cost-recovery basis. In this role, FCC is an alternative source of competitively priced credit to farmers who have significant potential for commercial viability. FCC's staff offers counselling services in farm planning and financial management.

The Corporation also makes and administers loans under the Farm Syndicates Credit Act (FSCA), and works with the Farm Debt Review Boards (FDRB) to assist farmers in resolving their financial difficulties.

FCC's head office is currently located in Ottawa, but will be moved to Regina by September 1992. The Corporation's staff includes 727 permanent and 77 term employees. Its services are offered through six regional offices as well as 100 district and field offices across Canada.

CHAIRMAN'S MESSAGE

We at Farm Credit Corporation, along with other Canadians, wondered at the rapidity of the political and economic changes that took place in the past year. The reunification of Germany, the disintegration of the Soviet Union, the ongoing General Agreement on Tariffs and Trade (GATT) negotiations, and the fast-approaching economic union of Europe are changes that will have a major impact on the way Canadians do business in the world marketplace.



While the effects of business slowdown and high unemployment are still being felt in Canada, a few signals indicate the country is taking its first steps towards economic recovery. Governments at all levels are recognizing the necessity to control spending. The Canadian dollar is enjoying relative stability. Interest rates, considerably lower than a year ago, may decline even further. Inflation for 1992-1993 is forecasted to be in the two per cent range. These signals provide an opportunity for Canadian agriculture and the agri-food business to compete effectively on the world market. Canada's success will depend on its ability to produce the best product at a competitive price.

As a lender to the Canadian agricultural community, FCC shares the same opportunity and responsibility. The Corporation has an ongoing commitment to improve its products and services, and to work in partnership with Canadian farmers.

OPERATIONAL HIGHLIGHTS

This fiscal year, FCC's lending volume increased by 86 per cent, with \$335 million lent to farmers compared to \$180 million in 1990-1991. The improvement in interest rates provided farmers with better opportunities to purchase land, pursue expansion programs, as well as refinance and consolidate debts at reasonable rates. FCC's continued emphasis on client service and a well-planned marketing program also played a role in achieving the increased lending volume.

The Corporation realized a net income of \$22 million after recording estimated relocation expenses, compared to \$21 million in 1990-1991.

Arrears declined to \$103 million at year end compared to \$133 million in the previous year, an improvement of 23 per cent. The reduction of arrears and non-accrual loans results in a better quality loan portfolio. Fewer losses translate into less pressure on FCC's interest margins and therefore enable the Corporation to maintain attractive interest rates for its clients.

ALLOWANCE FOR LOAN LOSSES

The Corporation charged a net amount of \$60 million for write-offs and declines in real estate value to the allowance for loan losses during the fiscal year. Due to an overall reduction in the level of arrears, the Corporation was also able to reduce the allowance by a further \$13 million this year. At year end, the allowance as shown on the financial statements totalled \$160 million. It is management's opinion that this amount is a reasonable reserve against probable losses in our present loan portfolio.

PROPERTY MANAGEMENT

FCC acquired 658 properties this fiscal year compared to 1,003 in 1990-1991. Most of the properties held by FCC have been leased back to the former owner through the Equity-Building Lease Program. This program, which allows clients to lease the land back and accumulate equity during the term of the lease, is offered to farmers in financial difficulty who voluntarily transfer their property to the Corporation. It is hoped that, at the expiry of the lease, farmers will be in a position to exercise their option and repurchase the land.

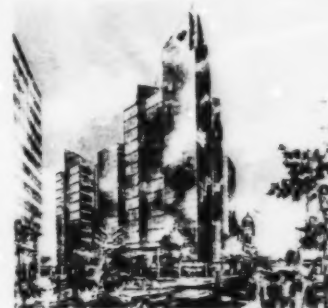
In 1991-1992, further stability was added to farm operations by the implementation of the Gross Revenue Insurance Plan (GRIP) and the Net Income Stabilization Account (NISA). These government support programs are a positive factor in making a decision to grant agricultural credit. While these programs are undergoing some refinements, the stability they provide is recognized by lenders as an improvement over the previous ad hoc assistance programs.

HEAD OFFICE RELOCATION

In September 1991, the Minister of Agriculture announced the relocation of FCC's head office to Regina, Saskatchewan. This decision is part of the federal government's decentralization program, and reflects the government's commitment to bring federal institutions and agencies closer to the people they serve. The head office will be located in the Hamilton Centre in downtown Regina, and will be in full operation by September 1992. The estimated cost of the move has been reflected in the 1991-1992 financial statements, as generally accepted accounting principles require that such costs be included in the fiscal year in which the decision is made. The charge against operations in the amount of \$13 million is shown as a separate item on the financial statements.

While the move to Regina has caused considerable disruption in operations and loss of staff, it provides the Corporation with the opportunity to examine in detail its structure, systems and resources, with the goal of improving its effectiveness and efficiency.

The relocation will result in the loss of many of our head office employees who, for personal reasons, are unable to make the move. I would be remiss if I did not express our appreciation for their dedicated service over the years. On behalf of the Board of Directors and management, I wish them every success in their future endeavours.



HEAD OFFICE
REGINA, SASKATCHEWAN

THE FUTURE

In response to the federal government's policy review on farm finance, the Corporation has been developing proposals for legislative change to the Farm Credit Act, with the objective of providing financing products and services that will enable Canadian farmers to meet the challenges of global competition. New legislation is expected to be considered during the 1992 legislative session.

In my opening remarks, I commented on the rapidity of change taking place in countries and economies around the globe. As an exporting nation, Canada must be able to compete with all other countries for markets if we are to maintain our standard of living. Canada as a country and all Canadians, regardless of individual occupations, will therefore have to adapt to these rapidly changing times. In agriculture the keys to future viability will be the ability to diversify production and to add value to primary products by taking advantage of new technology and market opportunities. These changes will only come with the commitment of industry, governments, and individuals. Farm Credit Corporation intends to play its role by providing effective long-term financial products and related services to Canadian farmers.

JAMES J. HEWITT

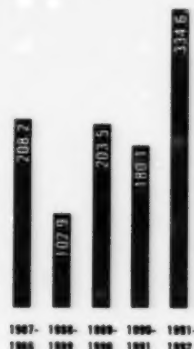
Chairman and Chief Executive Officer

HIGHLIGHTS

TOTAL NUMBER OF LOANS APPROVED FCA and FSCA



NET AMOUNT OF LOANS APPROVED FCA and FSCA (\$ millions)



ADMINISTRATION OF PROPERTIES BY FISCAL YEAR (number)

1987-1988

992 ACQUIRED
297 SOLD
911 ON HAND

1988-1989

1,195 ACQUIRED
621 SOLD
1,485 ON HAND

1989-1990

984 ACQUIRED
605 SOLD
1,884 ON HAND

1990-1991

1,993 ACQUIRED
496 SOLD
2,371 ON HAND

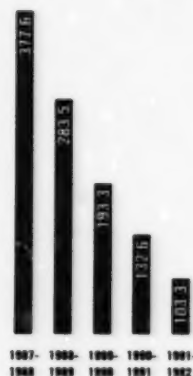
1991-1992

658 ACQUIRED
419 SOLD
2,509 ON HAND

ACCOUNTS IN GOOD STANDING (Percentage of total portfolio)



LOAN PAYMENTS IN ARREARS (\$ millions) as at March 31



■ NUMBER OF ACCOUNTS
■ DOLLAR VALUE

■ ACQUIRED
■ SOLD
■ ON HAND

OPERATIONAL	1991-1992	1990-1991	1989-1990	1988-1989	1987-1988
TOTAL LOANS RECEIVABLE PORTFOLIO					
NUMBER	59,845	61,475	63,884	67,216	72,182
AMOUNT (\$ MILLIONS)	3,500.6	3,611.0	3,852.8	4,182.3	4,701.6
UNDER FARM CREDIT ACT					
NUMBER OF LOANS APPROVED	3,007	2,013	2,371	1,472	2,674
AMOUNT OF LOANS APPROVED					
GROSS (\$ MILLIONS)	358.3	190.5	214.5	136.1	333.8
NET (\$ MILLIONS)	327.1	176.9	201.0	102.3	206.8
AVERAGE SIZE OF LOANS					
APPROVED - GROSS (\$)	119,148	94,633	90,464	92,444	124,827
PERCENTAGE OF LOANS IN					
GOOD STANDING	89.2	87.9	86.5	84.5	81.7
PERCENTAGE OF TOTAL OWING					
IN GOOD STANDING	82.1	79.6	77.6	73.1	67.8
REAL PROPERTY HELD AT YEAR END					
NUMBER	2,609	2,371	1,864	1,485	911
VALUE (\$ MILLIONS)	222.6	224.7	178.3	135.6	66.2
UNDER FARM SYNDICATES CREDIT ACT					
NUMBER OF LOANS APPROVED	237	118	73	22	39
AMOUNT OF LOANS APPROVED					
(\$ MILLIONS)	7.5	3.2	2.5	0.6	1.4
FINANCIAL					
REVENUES AND EXPENSES (\$ MILLIONS)					
NET INTEREST INCOME	46.4	47.4	30.3	(27.8)	(87.1)
NET PROVISION (RECOVERY OF PROVISION)					
FOR LOAN LOSSES	(12.8)	3.7	3.2	(20.2)	394.0
LEASE REVENUE AND OTHER INCOME	37.4	35.4	22.5	12.5	4.6
ADMINISTRATIVE EXPENSES	55.7	52.5	47.3	39.4	35.3
LARGE CORPORATIONS TAX	6.0	6.2	5.0	-	-
INCOME (LOSS) FOR THE YEAR	21.6	20.4	(2.7)	(34.6)	(511.8)
NON-ACCRUAL LOANS					
NUMBER	4,209	4,333	5,495	7,040	7,950
TOTAL OWING (\$ MILLIONS)	445.0	485.3	641.4	808.2	1,056.7
REDUCTION OF INTEREST INCOME					
DUE TO NON-ACCRUAL					
(\$ MILLIONS)	21.3	21.6	30.9	75.0	130.8
FINANCIAL POSITION (\$ MILLIONS)					
TOTAL ASSETS	3,688.4	3,810.4	3,816.7	4,031.7	4,310.4
TOTAL LIABILITIES	3,420.3	3,663.8	3,890.6	4,702.9	4,947.0
EQUITY (DEFICIENCY)					
OF CANADA	268.1	146.6	(73.9)	(671.2)	(636.6)

FCC'S OPERATING ENVIRONMENT

During the 1991-1992 fiscal year, the major factors influencing FCC's operating environment were the uncertainty surrounding the GATT negotiations, the performance of the Canadian economy, the recommendations of the government's agricultural policy review, the implementation of new income support programs, the declining farmland values, the increasing awareness of the environment and the rapid change of information technology.



The GATT talks continued throughout the year and have yet to be finalized. As the United States/European Economic Community trade war continued, world grain prices remained historically low. Prairie grain farmers continued to experience low revenues despite generous yields. Realized net farm income dropped to approximately \$3.2 billion in 1991, the lowest level since 1985. This factor had a direct impact on the performance of FCC's clients. Although arrears levels continued to drop, clients in Western Canada still account for 86 per cent of the Corporation's arrears. Farmers who are dependent on

the grain economy have had more difficulty than other clients in recovering from their debt situations. In particular, the Saskatchewan region carries 62 per cent of FCC's arrears, while representing only 31 per cent of the portfolio.

Even though the Canadian economy experienced minimal progress in 1991-1992, inflation dropped significantly, as did interest rates. In the fourth quarter, the prime rate reached 7.5 per cent, its lowest level in 15 years. Farmers took advantage of the low rates, as the Corporation's increased lending volume demonstrates.

The agricultural policy review conducted by the Minister of Agriculture delivered several recommendations in July 1991 which affect FCC. The most significant is the recommendation to revise the Farm Credit Act, giving FCC greater flexibility to respond to the needs of the farm community.

In addition to the two income support programs the federal government implemented during 1991-1992 (GRIP and NISA), ad hoc assistance of \$800 million was paid to Canadian grain farmers in early 1992. These programs and payments provided stability to farm revenues, a factor which, along with declining interest rates, helped FCC exceed its budgeted lending volume.

The value of farmland in Canada declined for the second six-month period in a row between July 1991 and January 1992. The national decline of about two per cent, which affected primarily the Prairies, reflected the depressed economic situation caused by low grain prices. FCC has significant land holdings in Western Canada where three-year leases are frequently arranged through the Farm Debt Review Boards' settlement process. The depressed market for land and the debt settlement process have made it more difficult for FCC to reduce its land inventories, particularly in Saskatchewan.

The agriculture industry experienced shifts in environmental awareness along with other sectors of Canadian business. Increased emphasis on soil and water management focused more attention on landholders' responsibility for environmental protection and sustainability. Farmers and lenders who hold title to land have had to keep abreast of any changes to environmental legislation which could have an impact on their operations.

Canadian farm operations have become more technologically advanced over the past decade. FCC has also been able to enhance its information management capability during 1991-1992, evolving from manual forms to computerized loan applications. Many credit advisors take the portable computer directly to the farm to provide clients with better information for decision making. Increased demand for more sophisticated technology has driven the need for credit advisors to acquire a broader range of skills.

The issues that Farm Credit Corporation faced in 1991-1992 will also need to be addressed in the coming fiscal year. Even though farm cash receipts and net income are expected to improve in the next two years, some fundamental long-term concerns will need to be managed. Resolution of the GATT talks may affect both grain and supply-managed sectors. New legislation for the Corporation will change its way of doing business, and the greater use of technology will drive much of the evolution in agricultural finance.



1991-1992 CORPORATE OBJECTIVES

FCC's objectives were summarized into five broad areas. As at March 31, 1992, FCC had achieved the following results in each of these areas.

① MANDATE CHANGE

- *Develop a legislative proposal for a more flexible Farm Credit Act.*

The Minister of Agriculture and FCC's Executive supported the recommendations of the Task Force on Farm Finance and Management to make FCC's legislation more flexible. Consequently, the Corporation has been developing proposals to obtain legislative changes in the Farm Credit Act. These changes are expected to be tabled in the House of Commons in the new fiscal year.

② OPERATIONAL EFFECTIVENESS

- *Optimize corporate performance.*
- *Achieve financial viability.*
- *Develop systems for performance standards and measurement.*
- *Enhance the land management capability.*

The Corporation's lending volume well exceeded 1991-1992 targets. For the second consecutive year, FCC has achieved an operating surplus, and has thereby covered its costs as set out in the Corporation's 1988 Recovery Plan.

FCC's Treasury Division successfully launched a Medium and Long-Term Note Program in March 1992. The program is expected to raise \$50 to \$100 million per year to fund lending initiatives over the course of future fiscal periods.

The Corporation implemented an internal transfer pricing system that was developed last year, which allows the production of regional contribution statements. This new capacity to measure performance based on income and expense will help regions and head office divisions to develop better plans and make more informed decisions.

A study on FCC's land management capability was completed during the last fiscal year.

③ BUSINESS DEVELOPMENT

- *Strengthen the Corporation's client service orientation.*
- *Diversify the existing product line.*
- *Diversify the existing client base.*
- *Determine, change and communicate the corporate image.*

The Corporation developed standards of performance for internal and external client service. These standards will be implemented during the coming year, and are expected to reinforce the excellent service FCC currently provides.

Three and five-year closed mortgages were launched in September 1991. The Business Development Committee, formed last year, continues to explore other possibilities to enhance the Corporation's product line.

A relationship marketing program called "Business Contact" was tested with over 1,000 clients in the Alberta/British Columbia and Quebec regions. The purpose of the program is to develop loan business and referrals by establishing and maintaining regular contact with existing and potential clients. The response exceeded FCC's expectations; consequently, the program will be expanded nationally in 1992-1993.

FCC introduced new corporate colours to strengthen the business image across the country. A new marketing logo was also developed during the past year.

④ FCC STAFF

- *Manage the human resource profile to meet future needs.*
- *Enhance staff development.*

FCC completed delivery of national client service training in all regions and in most divisions of head office.

To encourage the delivery of exemplary service to clients, FCC initiated work on a national service recognition program. The cornerstones of this program will be direct customer and staff involvement, coupled with simplicity and flexibility.



The Corporation continued to emphasize staff development through technical, technological and general management training. Project management training was applied to systems development methodologies, and workshops were developed for delivery in the next fiscal year.

As part of its revised orientation program, FCC produced a corporate video to familiarize new staff with FCC's business, culture and service objectives. Staff involvement in issues such as health and safety, and environmental protection initiatives has continued throughout the period.

SIMON AND RICK WILLEMESE, CASH CROP PRODUCERS OF PARKHILL, ONTARIO, WITH CREDIT ADVISOR HOWARD SPARKES.

5 MANAGEMENT INFORMATION SYSTEMS

In 1991-1992, FCC's drive to expand its service delivery options and its information analysis capability led to the development of a long-term Information Strategic Plan. Its implementation is positioning FCC to optimize the use of available technology, and to effect a more rapid and smooth transition to the information environment of the 90's.

• Maintain a high degree of technological advancement and management within FCC.

A major component of this strategy is the new loans management system project which will provide clients and staff with improved information as well as a more efficient and flexible service.

Under the plan, FCC is establishing an effective framework for the use of technical and human resources to facilitate the development of adaptive systems and applications.

Initiatives in the areas of improved telecommunications, expanded use of electronic data interchange, and the introduction of electronic mail facilities offering wider access and networking, allowed FCC to progress in its commitment to improve internal communications, reduce paper burden and related costs, and contribute to environmental protection through technology.

FCC has now provided all field staff with computers to process loan applications and conduct farm appraisals. The current Financial Analysis System and Land Sales System softwares continue to be improved and to provide enhanced support to credit advisors.



DENIS AND RAYMOND FRÉCHETTE, DAIRY PRODUCERS OF ST-PAUL DE CHESTER, QUÉBEC.

REVIEW OF OPERATIONS

LENDING SUMMARY

FCC loans may be obtained to purchase farmland, make permanent improvements, buy breeding stock or farm equipment, consolidate and restructure debts, or for any purpose that will facilitate the development and maintenance of an efficient farm operation.

The Corporation approved 3,007 loans this year under the Farm Credit Act (FCA) and 237 loans under the Farm Syndicates Credit Act (FSCA). This 52 per cent increase over the total number of loans approved last year can be attributed to a general softening of interest rates, FCC's long-term fixed interest rates, improved client service and a productive marketing campaign.

The net loan amount approved under FCA was \$327 million, up 85 per cent from the \$177 million approved last year. Under the FSCA, \$8 million were approved compared to \$3 million in 1990-1991. Land purchase (27 per cent), as well as refinancing and debt consolidation (50 per cent), continued to account for most of the lending volume.

In addition to the three-year and the five-year closed mortgages which were introduced this year, FCC continues to offer loans with fixed interest terms of 5, 10, 15 and up to 30 years. FCC offers also a Shared Risk Mortgage (SRM), with a six-year term, under which the client and FCC share the costs or benefits of fluctuating interest rates.

In 1991-1992, 93 per cent of FCC clients with maturing loans who were offered extensions chose to renew with the Corporation. This large proportion confirms that FCC is offering competitive terms and is providing a high degree of service to its clientele. In a continuing effort to offer its clients more flexibility in planning their finances, the Corporation introduced an "early mortgage extension option" this year. This option enables clients, who are so inclined, to effect an early renewal of their mortgages, thus permitting them to reduce interest rate risk.

FARM FINANCIAL MANAGEMENT

Extensive counselling by credit advisors before, during and after loan application and approval is an important element of FCC's service to farmers. It helps farmers explore alternatives, develop realistic plans and make more informed business decisions. This counselling not only improves farmers' ability to succeed, but it also results in better loans for FCC.

Market testing of an enhanced advisory services product called Focus was completed this past year. FCC is now determining the extent of future use of this product.

**ADMINISTRATION
OF PROPERTIES
BY FISCAL YEAR
(number)**

1987-1988

342 LEASE BACK AGREEMENTS
135 OTHER LEASES
434 PROPERTIES FOR SALE

1988-1989

734 LEASE BACK AGREEMENTS
485 OTHER LEASES
348 PROPERTIES FOR SALE

1989-1990

1,129 LEASE BACK AGREEMENTS
86 OTHER LEASES
670 PROPERTIES FOR SALE

1990-1991

1,890 LEASE BACK AGREEMENTS
140 OTHER LEASES
501 PROPERTIES FOR SALE

1991-1992

2,872 LEASE BACK AGREEMENTS
125 OTHER LEASES
482 PROPERTIES FOR SALE

FARM DEBT REVIEW BOARDS

Concessions granted in 1991-1992: \$42 million

LEASE BACK TO ORIGINAL OWNER 37.7%
FORGIVENESS OF ARREARS 26.5%
REDUCTION OF INTEREST RATE 26.1%
RETENTION OF BUILDING SITE 6.8%
OTHER 2.7%

LEASE BACK AGREEMENTS
TO FORMER OWNERS
OTHER LEASES
PROPERTIES FOR SALE

ARREARS

Arrears reduction was again a high priority in 1991-1992. At the end of the fiscal year, arrears totalled \$103 million, representing a 23 per cent reduction from the previous year. The pace of arrears reduction has been somewhat slowed due to poor grain prices. A great deal of time and effort is spent by the Corporation's field staff to deal with clients in arrears on an individual basis and in an equitable manner. The emphasis is to analyze all reasonable alternatives and, where possible, find solutions to difficult situations.

FARM DEBT REVIEW BOARDS

When clients are substantially in arrears with their loan payments, they are encouraged to seek a solution with the aid of the Farm Debt Review Boards. As part of this process, FCC has access to a Farm Debt Review Fund to help settle accounts without increasing costs to future clients. The Boards received 2,489 requests from FCC clients to review their financial affairs in 1991-1992. As a result, the Corporation approved 2,067 concessions representing \$42 million.

Assessing the need for concessions has been a major challenge for FCC staff. With 89 per cent of its accounts in good standing, the Corporation must ensure that concessions for resolving the financial problems of some clients are fair to other clients who keep their accounts up to date.

PROPERTY MANAGEMENT

When reviewing the various alternatives to addressing a client's arrears problem, a voluntary transfer of the property may be the only solution left. In most cases, the Corporation offers a lease back of the property to former owners so that they can continue their farm operations. During 1991-1992, FCC acquired 658 properties, compared with 1,003 the year before. Properties sold during the year totalled 419 and properties on hand at year end were 2,609.

The Equity-Building Lease Program continued to be offered to clients transferring their property to the Corporation and to those whose existing leases expired in 1991 or 1992. FCC presently holds 1,080 equity-building leases, and deposits by farmers in the Equity-Building Fund exceeded \$4 million at March 31, 1992.

IMPROVING FCC'S OPERATIONS

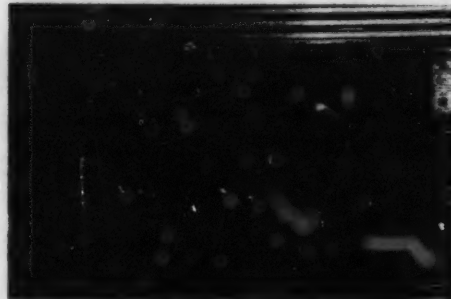
The Financial Administration Act requires that Crown corporations undergo a special examination every five years. During the past fiscal year, the Auditor General of Canada reported on the results of FCC's first special examination. With the completion of the examination, five projects under the general heading of Lending Control Framework have been undertaken. Each of these projects will look at FCC's activities from the client's perspective as well as the business

perspective. The five quality control projects are: credit risk philosophy and risk assessment; credit information; accountability framework; delegation of authority; and reporting on performance. These projects will bring about enhancements to FCC's existing methods and processes, resulting in better control of its lending activities and better client service.



FINANCIAL ANALYSIS

The Corporation's financial position was strengthened during 1991-1992 by an increase in equity of \$122 million. This improvement was achieved mainly through the government's capital contribution of \$100 million, which was used to reduce long-term debt by a corresponding amount. As a result, the debt-to-equity ratio improved from 25:1 at the end of 1990-1991 to 13:1 at March 31, 1992. This capital injection was the last installment of the four-year financial restructuring plan agreed to by the government in 1988. Further financial restructuring to ensure long-term self-sufficiency for the Corporation is currently under study and discussion.



EDWIN AND MIRIAM LOESSAN, GRAIN AND BEEF PRODUCERS OF RADISSON, SASKATCHEWAN, WITH CREDIT ADVISOR JAN STROO.

NET INCOME

Interest income for the year was \$368 million, compared to \$391 million for 1990-1991. The \$23 million decrease is a reflection of lower average loans receivable balances compared to the previous year, and lower interest rates on new lending and short-term investments. The decline in interest income was offset by a reduction in interest expense which was attributable to lower average outstanding debt and lower interest rates.

In reporting interest income, FCC excludes non-accrual interest, which represents the interest deducted from gross interest income for loans classified as non-accrual, as defined in the notes to the financial statements. The interest thus excluded amounted to \$21 million in 1991-1992. Although slightly lower than the \$22 million excluded in 1990-1991, the amount represents 6 per cent of gross interest income. The Corporation is continuing efforts to work with farmers in difficulty, and is attempting to move non-accruing loans through to satisfactory resolution. In fact, the total amount owing on non-accrual loans was reduced this year, from \$485 million at the start of the year to \$445 million at year end, an improvement of 8 per cent.

Net lease revenue from real estate was a significant source of income again in 1991-1992, as many Farm Debt Review Boards' settlements involved lease back arrangements and a number of farmers took advantage of the Equity-Building Lease Program. Net lease and other revenue was \$34 million in 1991-1992, unchanged from the previous year. These revenues are reported after deducting operating expenses necessary to maintain the properties, and do not consider the funding cost of carrying the properties, which is included in interest expense.

Administrative expenses for 1991-1992 totalled \$56 million, an increase of 6 per cent over the \$53 million incurred in 1990-1991. Increases in salaries and office accommodation, as well as costs related to special projects, accounted for most of the additional expense. The increased lending volume, along with property administration, collection efforts and Farm Debt Review Boards' settlements consumed large portions of staff time. In addition, major projects to develop FCC's information and loan accounting systems were launched during the year.

Net income was \$22 million, compared to \$21 million in 1990-1991. This result represented a return on average assets of 0.58 per cent, in comparison with the return of 0.53 per cent reported in 1990-1991.

ASSETS

Total assets were \$3.7 billion at year end, compared to \$3.8 billion the previous year. The composition of the assets remained almost unchanged, with net loans receivable making up 91 per cent of total assets, and real estate acquired in settlement of loans comprising 6 per cent.

Gross loans receivable at year end totalled \$3.5 billion, a decrease of 3 per cent from the \$3.6 billion at March 31, 1991. The new lending increase was more than offset by loan repayments and prepayments, and transfers of loans to real estate.

The allowance for loan losses stood at \$160 million at the end of the year, representing 4.6 per cent of gross loans receivable. This amount was a significant improvement compared to the \$233 million allowance, representing 6.4 per cent, at March 31, 1991.

Although there was significant activity in the Corporation's real estate portfolio during the year, the value of total property held at year end was only slightly lower than at the start of the year due to a general decrease in land values. Acquisitions of \$66 million, sales of \$49 million, and the write-down of the real estate portfolio value of \$19 million, resulted in a year-end value of \$223 million, compared to \$225 million at the start of the year.

FUNDING ACTIVITY

In the course of 1991-1992, the Corporation borrowed a total of \$516 million in long-term debt to fund its portfolio of mortgages and property holdings.

On a year-over-year basis, the total of long and short-term funding outstanding declined by \$258 million. This decline was due primarily to the use of the government's capital contribution of \$100 million to repay long-term debt, and the use of \$83 million in cash and short-term investments to reduce an equal amount of short-term debt.

The Corporation continued to diversify its funding alternatives during the year by launching a Medium and Long-Term Note Program. This program offers retail investors the opportunity to purchase FCC notes with maturities from one to 29 years. Continued access to the government funding sources was negotiated, and opportunities for private placement offerings were continually investigated.

ROCK BÉDARD, POULTRY
PRODUCER OF ST-ÉLIE-
D'ORFORD, QUEBEC,
WITH CREDIT ADVISOR
LOUIS PAYETTE.



**NET INTEREST
INCOME**
(\$ millions) for the year ended
March 31



**ADMINISTRATIVE
EXPENSES**
(\$ millions) for the year ended
March 31



**NON-ACCRUAL
INTEREST**
(% of gross interest income)
for the year ended March 31



REAL PROPERTIES
(\$ millions) as at March 31



**LEASE REVENUE
AND OTHER INCOME**
(\$ millions) for the year ended
March 31



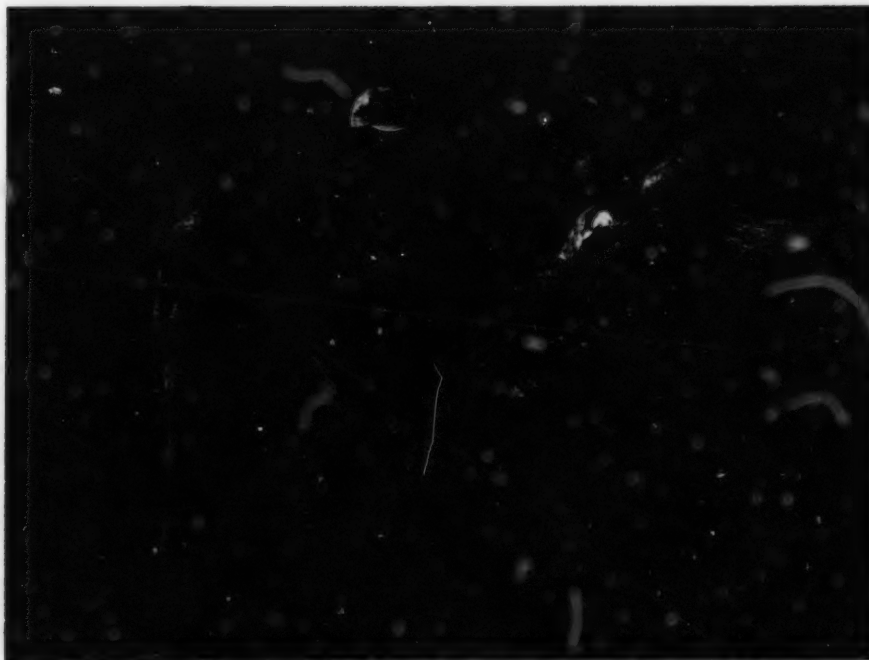
**NET INTEREST
MARGIN (%)**
(net interest income/average assets)
for the year ended March 31



INTEREST RATES AND MARGINS

FCC's borrowing and lending rates were relatively stable over the first half of 1991-1992, declined gradually for most of the second half, then marginally increased towards the end of the year. Lending rates were adjusted frequently in the last half of the year to reflect changing conditions in the financial markets.

The net interest margin, as a percentage of average total assets, has remained the same as last year at 1.24 per cent.



JANET AND STANLEY WASILEWSKI JR., GRAIN AND BEEF PRODUCERS OF NORTH BATTLEFORD, SASKATCHEWAN, WITH THEIR DAUGHTER AMANDA AND SON JEFFREY.

TABLE 1 LOANS APPROVED BY PROVINCE

	1991-1992		1990-1991	
	NUMBER	NET AMOUNT (\$'000's)	NUMBER	NET AMOUNT (\$'000's)
British Columbia	181	30,522	98	13,291
Alberta	373	37,040	163	12,250
Saskatchewan	565	32,803	443	23,190
Manitoba	426	35,363	284	16,625
Ontario	827	117,161	461	56,837
Quebec	462	52,921	453	43,107
New Brunswick	67	8,257	46	4,632
Nova Scotia	25	3,447	13	1,895
Prince Edward Island	66	6,963	43	4,178
Newfoundland	15	2,642	9	923
Canada	3,007	327,119	2,013	176,928

TABLE 2 LOANS RECEIVABLE PORTFOLIO AS AT MARCH 31, 1992

	NUMBER	PRINCIPAL NOT DUE	ARREARS	ACCRUED INTEREST	AMOUNTS HELD FOR FUTURE INSTALLMENTS	NET TOTAL
British Columbia	1,942	153,336	3,633	6,131	(5,449)	157,651
Alberta	8,950	397,094	12,075	23,095	(6,135)	426,129
Saskatchewan	19,647	1,001,808	63,555	60,927	(9,176)	1,117,114
Manitoba	6,300	287,001	6,641	14,015	(5,443)	302,214
Ontario	14,497	989,847	13,799	38,024	(31,425)	1,010,245
Quebec	6,716	431,708	1,041	16,309	(11,410)	437,648
New Brunswick	821	57,011	982	2,604	(1,696)	58,901
Nova Scotia	100	7,293	144	233	(184)	7,486
Prince Edward Island	729	39,990	1,079	1,960	(864)	42,165
Newfoundland	143	14,123	362	519	(671)	14,333
Canada	59,845	3,379,211	103,311	163,817	(72,453)	3,573,886
Adjustment to principal and interest relating to non-accrual loans		27,067	32,398	13,829		73,294
Loans receivable	59,845	3,352,144	70,913	149,988	(72,453)	3,500,592

COMMUNITY INVOLVEMENT



- A** SENIOR 4-H TEAM MEMBER, CRAIG CHERRY, RECEIVES A PLAQUE FROM CREDIT ADVISOR JAYE ATKINS AT THE NORFOLK COUNTY FAIR IN ONTARIO. **B** FCC WAS A CO-SPONSOR OF THIS HOECHST TOUR IN FOXWARREN WHICH GATHERED APPROXIMATELY 400 FARMERS FROM CENTRAL MANITOBA. **C** GEORGE JONES, REGIONAL VICE-PRESIDENT FOR ALBERTA/B.C., PRESENTS A \$300 SCHOLARSHIP TO 4-H MEMBER SANDRA BAHRYNOWSKI. **D** COREY BECK, STUDENT AT THE FAIRVIEW COLLEGE, RECEIVES A \$250 SCHOLARSHIP FROM OTILIA MORGAN, CREDIT ADVISOR AT THE FAIRVIEW OFFICE IN ALBERTA. **E** GROUP SESSION AT FCC'S BRANDON OFFICE IN MANITOBA, AS PART OF A 4-H CONFERENCE. **F** ASSISTANT VICE-PRESIDENT RON WITHERSPOON WITH BROADCASTER KNOWLTON NASH, DURING HIS RECENT VISIT TO REGINA, SASKATCHEWAN, ON A SPEAKING TOUR CO-SPONSORED BY FCC. **G** ANDRÉ GAUVIN, STUDENT AT L'INSTITUT DE TECHNOLOGIE AGRO-ALIMENTAIRE DE LA POCAITIÈRE, QUEBEC, RECEIVES A CERTIFICATE AND A \$200 SCHOLARSHIP FROM CREDIT ADVISOR JEAN-PIERRE DUQUETTE. **H** OFFICE ASSISTANT ROSE-MARIE KYLE PRESENTS A \$100 SCHOLARSHIP TO 4-H MEMBER VAL RAMAGE OF MANITOUJ, MANITOBA.



Working with Canadian agriculture for more than a quarter century, FCC has developed unquestioned expertise in farm finance and farm financial management.

Each year, FCC invests in the human and financial resources needed to participate in a variety of community activities.

Awarding trophies, participating at farm shows, delivering speeches, holding information seminars, providing financial support to rural groups such as 4-H, sponsoring special events, all these activities are examples of FCC demonstrating its community involvement and its pride in being part of Canadian agriculture.

I PUBLIC RELATIONS OFFICER TED YOUNG CONGRATULATES LEANNE WHITMORE OF SEAFORTH, ONTARIO, WINNER OF THE ROYAL AGRICULTURAL WINTER FAIR PUBLIC SPEAKING CONTEST. **J** CREDIT ADVISOR BOB HARLAND PRESENTS A 4-H ACHIEVEMENT AWARD TO COURTENAY MCLEOD AT THE PORTAGE FAIR IN MANITOBA. **K** STÉPHANE ALIX AND PATRICE PHAMELIF ARE RECEIVING SCHOLARSHIPS FROM LOAN OFFICER LAURENT DUCHESNE AT THE 27TH GRADUATION CEREMONY OF L'INSTITUT DE TECHNOLOGIE AGRO-ALIMENTAIRE DE ST-HYACINTHE, QUEBEC. **L** FCC STAFF NANCY MOLENGRAAF, RON REGIER AND HOWARD SPARKES AT THE INTERNATIONAL PLOWING MATCH IN LAMBTON COUNTY, ONTARIO. **M** JENNY ZURLOFF, OFFICE ASSISTANT IN TISDALE, SASKATCHEWAN, PRESENTS A TROPHY TO KYLE CUMMINGHAM AT THE NIPAWIN 4-H ACHIEVEMENT DAY. **N** CREDIT ADVISOR ZEN LITKE PRESENTS A \$300 SCHOLARSHIP TO 4-H MEMBER EMERY KLEIN OF DELBURN, ALBERTA. **O** JOHN BOYLE, CREDIT ADVISOR AT THE PRINCE ALBERT OFFICE IN SASKATCHEWAN, PRESENTS AWARDS AT THE RED DEER HILL 4-H CLUB PUBLIC SPEAKING COMPETITION.

A U D I T O R ' S R E P O R T

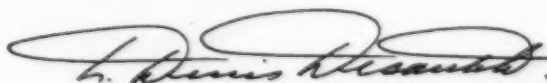
T O T H E M I N I S T E R O F A G R I C U L T U R E

I have audited the balance sheet of Farm Credit Corporation as at March 31, 1992 and the statements of operations and deficit and changes in cash position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1992 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles. As required by the Financial Administration Act, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Farm Credit Act and the by-laws of the Corporation.



L. DENIS DESAUTELS, FCA
Auditor General of Canada

Ottawa, Canada
May 28, 1992

FINANCIAL STATEMENTS

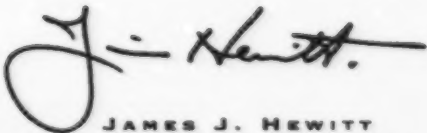
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Farm Credit Corporation and all information in this annual report are the responsibility of the Corporation's management and have been approved by the Board of Directors. The financial statements include some amounts, such as the allowance for loan losses and the valuation of real estate acquired in settlement of loans, that are necessarily based on management's estimates and judgement.

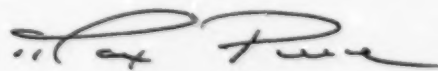
The financial statements have been prepared in accordance with accounting principles which are generally accepted in Canada. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal audit which conducts periodic reviews of different aspects of the Corporation's operations. In addition, the internal and external auditors have full and free access to the Audit Committee of the Board, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing his report thereon.



JAMES J. HEWITT
Chairman and Chief Executive Officer



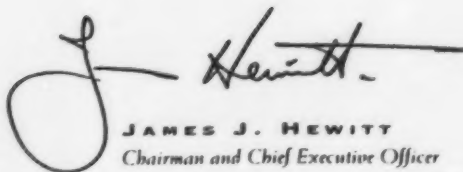
MAX PIERCE
Senior Vice-President, Finance

Farm Credit Corporation
BALANCE SHEET
 As at March 31, 1992

	1992	1991
	(000's)	
ASSETS		
CASH AND SHORT-TERM INVESTMENTS	\$ 98,690	\$ 182,076
ACCOUNTS RECEIVABLE	17,419	13,327
LOANS RECEIVABLE, NET OF ALLOWANCE FOR LOAN LOSSES OF \$160,000 (1991 - \$232,665) (NOTES 3 AND 4)	3,340,592	3,378,346
REAL ESTATE ACQUIRED IN SETTLEMENT OF LOANS (NOTE 5)	222,595	224,711
OFFICE EQUIPMENT AND LEASEHOLD IMPROVEMENTS	5,061	5,452
UNAMORTIZED DEBT DISCOUNT AND ISSUE EXPENSES	4,048	6,470
	\$3,688,405	\$3,810,382
LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 7,641	\$ 7,198
DOWNPAYMENTS ON REAL ESTATE SALES	6,926	5,042
SHORT-TERM NOTES	144,828	306,544
PROVISION FOR HEAD OFFICE RELOCATION (NOTE 6)	11,391	-
PROVISION FOR EMPLOYEE TERMINATION BENEFITS	4,192	3,447
LOANS PAYABLE (NOTE 7)	3,245,297	3,341,587
	3,420,275	3,663,818
EQUITY		
CONTRIBUTED CAPITAL (NOTE 9)	1,118,333	1,018,333
DEFICIT	(850,203)	(871,769)
	268,130	146,564
	\$3,688,405	\$3,810,382

APPROVED:

The accompanying notes are an integral
 part of the financial statements.


JAMES J. HEWITT
 Chairman and Chief Executive Officer


GEORGE KLOSLER
 Director

Farm Credit Corporation

STATEMENT OF OPERATIONS AND DEFICIT

For the year ended March 31, 1992

	1992	1991
	(000's)	
INTEREST INCOME		
LOANS RECEIVABLE	\$ 355,385	\$ 370,928
SHORT-TERM INVESTMENTS	12,982	19,860
	368,367	390,788
INTEREST EXPENSE		
LOANS PAYABLE	300,636	325,625
SHORT-TERM NOTES	21,368	17,772
	322,004	343,397
NET INTEREST INCOME	46,363	47,391
PROVISION (RECOVERY OF PROVISION) FOR LOAN LOSSES (NOTE 4)	(12,796)	3,684
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	59,159	43,707
LEASE AND OTHER REVENUE FROM REAL ESTATE, NET OF OPERATING EXPENSES OF \$4,748 (1991-\$6,783)	33,765	34,170
OTHER INCOME	3,682	1,284
NET INCOME BEFORE NON-INTEREST EXPENSES	96,606	79,161
ADMINISTRATIVE EXPENSES	55,716	52,544
PROVISION FOR HEAD OFFICE RELOCATION (NOTE 6)	13,300	-
INCOME TAXES - LARGE CORPORATIONS TAX (NOTE 10)	6,024	6,173
NET INCOME FOR THE YEAR	21,566	20,444
DEFICIT AT BEGINNING OF THE YEAR	(871,769)	(892,213)
DEFICIT AT END OF THE YEAR	\$ (850,203)	\$ (871,769)

The accompanying notes are an integral
part of the financial statements.

STATEMENT OF CHANGES IN CASH POSITION
For the year ended March 31, 1992

	1992	1991
	(000's)	
OPERATING ACTIVITIES		
NET INCOME FOR THE YEAR	\$ 21,566	\$ 20,444
ITEMS NOT INVOLVING CASH		
PROVISION (RECOVERY OF PROVISION) FOR LOAN LOSSES	(12,796)	3,684
CHANGE IN ACCRUED INTEREST RECEIVABLE	21,163	20,286
CHANGE IN ACCRUED INTEREST PAYABLE	(3,743)	(13,405)
PROVISION FOR HEAD OFFICE RELOCATION	11,391	-
OTHER	5,026	(7,365)
CASH PROVIDED BY OPERATING ACTIVITIES	42,607	23,644
INVESTING ACTIVITIES		
LOANS RECEIVABLE DISBURSED	(338,728)	(184,530)
LOANS RECEIVABLE REPAID	325,699	248,511
PROCEEDS FROM DISPOSAL OF REAL ESTATE	45,532	60,687
OTHER	(3,232)	(4,897)
CASH PROVIDED BY INVESTING ACTIVITIES	28,271	119,771
FINANCING ACTIVITIES		
LOANS FROM CANADA	515,500	256,250
LOANS REPAID TO CANADA	(338,548)	(388,321)
LOANS REPAID TO CAPITAL MARKETS	(269,500)	(273,460)
INCREASE IN CONTRIBUTED CAPITAL	100,000	200,000
CHANGE IN SHORT-TERM NOTES	(161,716)	196,088
CASH USED IN FINANCING ACTIVITIES	(154,264)	(9,443)
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	(83,386)	133,972
CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF THE YEAR	182,076	48,104
CASH AND SHORT-TERM INVESTMENTS AT END OF THE YEAR	\$ 98,690	\$182,076

The accompanying notes are an integral part of the financial statements.

Farm Credit Corporation

NOTES TO FINANCIAL STATEMENTS

March 31, 1992

1. THE CORPORATION*(a) Authority and objectives*

Farm Credit Corporation ("the Corporation") was established in 1959 by the Farm Credit Act as the successor to the Canadian Farm Loan Board and is an agent Crown corporation named in Part I of Schedule III to the Financial Administration Act. The Corporation makes and administers farm loans under the authority of the Farm Credit Act and the Farm Syndicates Credit Act, and administers programs as requested by the Government of Canada ("the government").

The Corporation's role, as clarified in the Corporate Plan approved in 1988, is to provide mortgage credit and complementary financial services to Canadian farmers on a break-even basis and, when called upon by the government, to deliver specific government programs on a cost-recovery basis.

The Corporation is discussing possible changes to the Farm Credit Act and Farm Syndicates Credit Act with the government. These changes would, among other things, provide for the relocation of the Corporation's head office to Regina, Saskatchewan, streamline administrative practices and provide for a marginal expansion of the Corporation's lending mandate.

(b) Financial restructuring

The government approved a financial restructuring for the Corporation which covered the four-year period ended March 31, 1992 and established operating policies and management guidelines within which the Corporation is to operate.

2. SIGNIFICANT ACCOUNTING POLICIES*(a) Revenue recognition*

Interest income is recorded on the accrual basis until such time as management determines that a loan should be classified as non-accrual. A loan is classified as non-accrual when:

- 1) principal or interest is six months past due, unless the loan is well secured, or
- 2) circumstances indicate doubt as to the ultimate collectibility of principal or interest.

When a loan is initially classified as non-accrual, uncollected interest recognized in the year is reversed against interest income and, where necessary, uncollected interest recognized in previous years is provided for in the allowance for loan losses.

Interest payments on non-accrual loans are recorded as interest income when received where it has been determined that the loan does not require a specific provision for loss; otherwise, they are credited to principal.

Non-accrual loans return to accrual status when, in management's opinion, the ultimate collection of principal and interest is reasonably assured.

Lease and other revenues from real estate are recorded when earned.

Loan fees and charges are recorded as other income when earned.

(b) Allowance for loan losses

The allowance for loan losses represents management's best estimate of probable losses on the loans outstanding at the end of the year in light of current conditions. It has a specific and a general component.

The specific component is determined based on a loan-by-loan review of undersecured loans. Specific provisions are established for individual loans, where circumstances indicate doubt as to the ultimate collectibility of principal or interest, to value these loans at the lower of their recorded investment or the estimated net realizable value of the underlying security for the loans.

The general component, which is prudential in nature, is established to provide for losses on loans which cannot yet be identified on a loan-by-loan basis. In addition, as a single industry lender, the Corporation is particularly subject to adverse economic trends and other risks and uncertainties affecting certain agricultural regions or sectors. Accordingly, management has also considered the impact of such factors as land value trends, federal and provincial government programs, international trade negotiations, and future commodity prices and climatic conditions in establishing the general component of the allowance. However, future agricultural and economic conditions are not predictable with certainty and, therefore, actual loan losses may vary from management's estimate.

The government has announced its intention to reimburse the Corporation for concessions it will make to farmers during the next year as a result of its participation in the Farm Debt Review process. The type of concessions to be made through the process, and the extent to which they will reduce the Corporation's loan losses, are not presently known. They are, therefore, not included in establishing the allowance for loan losses.

Actual loan losses, write-downs of acquired real estate, and losses on the sale of real estate are charged to the allowance while recoveries are credited to the allowance. Adjustments of the allowance to the level regarded by management as being appropriate are applied to operations.

(c) Real estate acquired in settlement of loans

Real estate is recorded at the lower of the amount of the loan outstanding or the estimated net realizable value at the time of acquisition. Subsequent declines in estimated net realizable value are charged to the allowance for loan losses in the year in which they occur.

(d) Farm Debt Review process

Amounts received from the government on behalf of farmers for concessions granted by the Corporation under the Farm Debt Review process are applied as if they had been received directly from the farmers.

(e) Office equipment and leasehold improvements

Office equipment and leasehold improvements are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of office equipment and leasehold improvements according to the following methods and rates:

	METHODS	RATES
EQUIPMENT AND FURNITURE	DECLINING BALANCE	20%
COMPUTER EQUIPMENT AND SOFTWARE	STRAIGHT-LINE	20%
LEASEHOLD IMPROVEMENTS	STRAIGHT-LINE	LEASE TERM PLUS THE FIRST RENEWAL OPTION.

(f) Debt discount and issue expenses

Debt discount and issue expenses are amortized on a straight-line basis over the life of the debt and are included in interest expense on loans payable.

(g) Translation of foreign currencies

Loans and related interest payable in foreign currencies are hedged by currency conversion agreements and are translated into Canadian dollars at the rates provided therein. The differences between the ultimate amounts payable at the contracted rates and the cash proceeds of the debt issues are included with debt discount and issue expenses. These amounts are amortized on a straight-line basis and are charged to interest expense over the lives of the obligations.

(h) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contributions to the plan are limited to matching the employees' contributions for current service. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the Corporation.

(i) Employee termination benefits

On termination of employment, employees are entitled to benefits provided for under their terms of employment. The liability for these benefits is recorded as the benefits accrue to the employees.

(j) Income taxes

The Corporation follows the tax allocation method of providing for income taxes. The cumulative differences between tax calculated on such a basis and taxes currently payable are essentially timing differences and result in deferred income taxes. The Corporation has deferred tax benefits which have not been recorded and will only be recognized when there is virtual certainty that they will be realized.

3. LOANS RECEIVABLE

	ANNUAL INTEREST RATE (%)	1992	1991
		(000's)	
LOANS TO FARMERS, SECURED BY MORTGAGES	5-15	\$3,333,738	\$ 3,416,781
LOANS TO FARM SYNDICATES, SECURED BY NOTES	7-14 5/8	11,603	6,607
LOANS RECEIVABLE FROM REAL ESTATE SALES, SECURED BY AGREEMENTS FOR SALE OR MORTGAGES	5-14 7/8	35,406	35,470
		3,380,907	3,458,858
ACCRUED INTEREST - CURRENT		84,781	88,862
- ARREARS		34,904	63,291
		3,500,592	3,611,011
LESS: ALLOWANCE FOR LOAN LOSSES		160,000	232,665
		\$3,340,592	\$ 3,378,346

At March 31, 1992, the Corporation had 4,209 loans representing \$445 million of loans receivable classified as non-accrual (1991 - 4,333 representing \$485 million). During the year, interest not recognized on non-accrual loans amounted to \$21 million (1991 - \$22 million). The accumulated interest not recognized on non-accrual loans outstanding at March 31, 1992 amounted to \$73 million (1991 - \$82 million).

4. ALLOWANCE FOR LOAN LOSSES

THE SUMMARY IS AS FOLLOWS:

	1992	1991
	(000's)	
BALANCE AT BEGINNING OF THE YEAR	\$ 232,665	\$ 279,365
WRITE-OFFS, NET OF RECOVERIES	(40,336)	(42,137)
DECLINES IN VALUE OF REAL ESTATE	(18,533)	(8,247)
PROVISION (RECOVERY OF PROVISION) FOR LOAN LOSSES	(12,796)	3,684
BALANCE AT END OF THE YEAR	\$ 160,000	\$ 232,665
SPECIFIC ALLOWANCE	\$ 47,000	\$ 48,665
GENERAL ALLOWANCE	113,000	184,000
BALANCE AT END OF THE YEAR	\$ 160,000	\$ 232,665

5. REAL ESTATE ACQUIRED IN SETTLEMENT OF LOANS

THE SUMMARY IS AS FOLLOWS:

	1992	1991
	(000's)	
BALANCE AT BEGINNING OF THE YEAR	\$ 224,711	\$ 178,281
ACQUISITIONS	68,329	110,316
DISPOSALS	(48,912)	(55,639)
DECLINES IN VALUE OF REAL ESTATE	(19,533)	(8,247)
BALANCE AT END OF THE YEAR	\$ 222,595	\$ 224,711

Real estate represents farm property acquired in the process of administering loans receivable and must be disposed of within five years of acquisition or such further period as the Governor in Council may prescribe.

Real estate under long-term lease may be subject to renewal at the expiry of the original lease term. Lease maturities by fiscal year are as follows:

	1992
	(000's)
NOT CURRENTLY LEASED	\$ 30,074
1993	58,489
1994	84,889
1995	50,875
1996	878
	\$ 222,595

6. HEAD OFFICE RELOCATION

The Corporation intends to relocate its head office to Regina, Saskatchewan effective September 1992. Estimated expenses associated with this move have been charged to operations in the current year.

7. LOANS PAYABLE

	ANNUAL INTEREST RATE (%)	1992	1991
(000's)			
LOANS FROM CANADA, SECURED BY NOTES			
FARM CREDIT ACT	6-12 1/8	\$2,485,599	\$ 2,309,233
FARM SYNDICATES CREDIT ACT	7 5/8-11	5,123	4,536
LOANS FROM CAPITAL MARKETS, SECURED BY NOTES			
FARM CREDIT ACT			
PAYABLE IN:			
U.S. DOLLARS (375,000,000)	9-10 3/4	507,987	507,987
SWISS FRANCS (100,000,000)	11	59,666	59,666
JAPANESE YEN (7,660,000,000)	9 1/4	-	69,500
CANADIAN DOLLARS	10 3/4-12 1/8	105,000	305,000
		3,163,375	3,255,922
ACCRUED INTEREST		81,922	85,665
		\$3,245,297	\$ 3,341,587

AMOUNTS DUE BY FISCAL YEAR ARE AS FOLLOWS:

1992	\$ -	\$ 408,816
1993	385,732	468,387
1994	603,998	585,510
1995	355,430	351,699
1996	313,185	314,414
1997	526,161	458,624
1998 to 2005	978,869	668,472
	3,163,375	3,255,922
ACCRUED INTEREST	81,922	85,665
	\$3,245,297	\$ 3,341,587

As part of the financial restructuring, \$100 million of loans from Canada (1991 - \$200 million) was repaid during the year from the increase in contributed capital. The government decided that no interest would be payable on these loans from October 1, 1991 to the date on which they were repaid.

8. LIMITS ON BORROWING

The Farm Credit Act limits the aggregate amount outstanding of the principal borrowings by the Corporation pursuant to the Act to 25 times the contributed capital of the Corporation. At March 31, 1992, the Corporation's outstanding borrowings under this Act, comprising short-term notes of \$141 million and loans payable of \$3,163 million, were 2.96 times the contributed capital of \$1,118 million (1991 - 3.49 times the contributed capital of \$1,018 million).

The Farm Syndicates Credit Act limits the loans from Canada pursuant to the Act to \$25 million. At March 31, 1992, the Corporation's loans from Canada under this Act were \$5 million (1991 - \$5 million).

9. CONTRIBUTED CAPITAL

The contributed capital of the Corporation represents the amount received from Canada under section 12 of the Farm Credit Act. The statutory limit was increased by \$100 million in the current year to \$1,125 million (1991 - \$1,025 million).

As part of the financial restructuring, Canada increased its contributed capital by \$100 million. The Corporation has applied this amount to the repayment of loans from Canada.

10. INCOME TAXES

(a) Timing differences of approximately \$214 million are available to the Corporation as at March 31, 1992. These have not been recognized in the accounts since they will not be used in the foreseeable future. They result primarily from differences between the provision for loan losses charged to operations and the amount claimed for income tax purposes.

In addition, the loss carry-forward for income tax purposes which has not been recognized in the financial statements amounts to \$763 million and expires on the dates indicated:

	(000's)
MARCH 31, 1995	\$ 89,000
1996	194,000
1997	400,000
	\$763,000

During the current year the Corporation will incur no income tax expense, other than the large corporations tax, due to the utilization of \$21 million in loss carry-forwards.

(b) Income taxes payable by the Corporation relate to the large corporations tax, which may be offset against any current or future surtaxes payable. The Corporation has no surtax currently payable.

11. COMMITMENTS TO FARMERS

As at March 31, 1992, loans to farmers approved but not disbursed amounted to \$58 million (1991 - \$47 million). These loans were approved at interest rates from 9% to 12.25%. It is expected that the majority of these loans will be disbursed within the six-month period ending September 30, 1992.

12. OPERATING LEASES

Future minimum payments by fiscal year on operating leases for premises, with initial non-cancellable lease terms in excess of one year, are as follows:

	(000's)
1993	\$ 3 823
1994	3,093
1995	2,728
1996	2,105
1997	1,095
1998 to 2000	735
	\$ 13,579

These leases generally provide for the payment by the Corporation of real estate taxes and operating expenses in excess of the amounts established at the commencement of the lease term.

13. GOVERNMENT PROGRAM

Farm Debt Review process

During the year, the Minister of Agriculture was authorized to make contributions to farmers, payable to the Corporation. These payments are based on concessions that the Corporation has granted to farmers under arrangements made pursuant to the Farm Debt Review Act. The Corporation is reimbursed at the time farmers realize the benefits of the concessions, which may be over a period as long as five years. These concessions cease if the farmers fail to meet their commitments, or the Corporation proceeds with recovery action.

The government has announced its intention to extend the fund to cover concessions to be granted over the period ending March 31, 1993. Since the inception of the Farm Debt Review process, the Corporation has offered \$217 million in concessions and billed \$163 million to the government of which \$42 million was billed in the current year and \$121 million in prior years. The committed difference of \$54 million will be due and received over the next five years as farmers meet their commitments and thereby realize the benefits of the concessions.

14. COMPARATIVE FIGURES

Certain 1991 comparative figures have been reclassified to reflect the presentation adopted in 1992.

CORPORATE DIRECTORY

MEMBERS OF THE BOARD

The Board of the Corporation has seven members appointed by the Governor in Council. The Chairman and the Vice-Chairman of the Board are also officers of the Corporation. The Chairman is the Chief Executive Officer and, as such, directs and supervises the operations of the Corporation.



C. GERALD PENNEY, CA

Vice-Chairman

DON SWENSON

Saskatchewan

GEORGE KLOSLER*

Ontario

FRED MCCAIN*, CA

New Brunswick

DESMOND GEORGE

British Columbia

JEANNINE BOURQUE

Quebec

JAMES J. HEWITT*, FERA

Chairman

C O R P O R A T E E X E C U T I V E

JAMES J. HEWITT
Chairman and Chief Executive Officer

C. GERALD PENNEY
Vice-Chairman and Chief Operating Officer

S E N I O R M A N A G E M E N T

Thomas S. Barton
Senior Vice-President, General Counsel
Corporate Secretary

George Jones
Regional Vice-President
Alberta/British Columbia

Janice Whitters
Executive Assistant to the Vice-Chairman
Assistant Corporate Secretary

Russ Holm
Regional Vice-President
Saskatchewan

Brian Strom
Senior Vice-President, Operations

Marshall Stachniak
Regional Vice-President
Manitoba

Max Pierce
Senior Vice-President, Finance

Terry Kremenjuk
Vice-President, Research and Planning

Bob Aumel
Regional Vice-President
Ontario

SuzAnne Doré
Vice-President, Administration

Pierre Laflamme
Vice-President, Corporate Audit

Jacques Doran
Regional Vice-President
Quebec

Madonna Bailey
Vice-President and Treasurer

Colin Brooker
Vice-President and Controller

John Van Abbema
Regional Vice-President
Atlantic

Jean Valin
Assistant Vice-President, Communications

MEMBERS OF THE ADVISORY COMMITTEE

The Advisory Committee is appointed by the Minister of Agriculture to advise him and the Corporation on lending policy matters. Most members are farmers or operators of agricultural businesses.



GARRET RICKARD
Chairman, Ontario



**JEANNINE CARON-
GIBSON**
Quebec



EDWARD MASER
Manitoba



LEON BOERNER
New Brunswick



J. HARVEY GJEDDAL
Saskatchewan



JACK CUNNIFF
Ontario



KEITH BARRETT
Prince Edward Island



DON KROGER
British Columbia



WILLIAM A. VERHAAGEN
Alberta

CHAIRMEN OF APPEAL BOARDS

Appeal Boards, composed of farmers of proven ability and judgement, are established in each province to hear appeals from farmers who are dissatisfied with the Corporation's decision on their loan applications. During the year, 22 appeals were heard and, based on Appeal Boards' recommendations, FCC modified its decision on four applications.

Mr. Burris Coburn passed away in December 1991. He had been a member of the New Brunswick Appeal Board since 1976, and his contribution will be greatly missed.

E.T. (TED) OSBORN
British Columbia

GEORGE TEMPLETON
Alberta

DONALD JOHNSON
Saskatchewan

KENNETH LYLE YOUNG
Manitoba

EDWARD J. MAILLOUX
Ontario

RAYNALD CÔTÉ
Quebec

W. BURRIS COBURN
New Brunswick

THOMAS MEREDITH
Nova Scotia

WILBERT MACKENZIE
Prince Edward Island

DENNIS GALWAY
Newfoundland

**REGIONAL
OFFICES****DISTRICT OFFICES****FIELD OFFICES****ALBERTA DISTRICT**

101 St. Building
Suite 1550
10250-101st Street
Edmonton, Alta. T5J 3P4
(403) 495-4488

Grande Prairie, Kelowna,
Lacombe, Lethbridge,
Vegreville, Westlock

Abbotsford, Athabasca, Barrhead, Brooks,
Calgary, Camrose, Dawson Creek,
Drumheller, Edmonton, Evansburg,
Fairview, Falher, Hanna, Medicine Hat,
Olds, Peace River, Stettler, St. Paul,
Vermilion, Wainwright, Wetaskiwin

**Yukon Territory is served through the Edmonton Office*

SASKATCHEWAN DISTRICT

Suite 110
2401 Saskatchewan Drive
Regina, S4P 4H9
(306) 780-5610

North Battleford, Prince Albert,
Regina, Saskatoon, Swift
Current, Yorkton

Assiniboia, Carlyle, Humboldt, Kindersley,
Meadow Lake, Moose Jaw, Rosetown,
Tisdale, Weyburn, Wynyard

MANITOBA DISTRICT

400-5 Donald Street
Winnipeg, R3L 2T4
(204) 983-4039

Brandon, Portage la Prairie,
Winnipeg

Arborg, Carman, Dauphin, Killarney,
Morden, Neepawa, Virden

ONTARIO DISTRICT

Unit 201
450 Speedvale Ave. West
Guelph, N1H 7G7
(519) 821-1330

Chatham, Guelph, Lindsay,
Nepean, Walkerton, Woodstock

Barrie, Campbellford, Casselman, Essex,
Goderich, Kingston, Lambeth, Listowel,
New Liskeard, North Bay, Owen Sound,
Simcoe, Stratford, Vineland, Wyoming

QUEBEC DISTRICT

Édifice Champlain
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Ste-Foy, St-Hyacinthe,
Sherbrooke

Alma, Arthabaska, Drummondville,
Gatineau, Granby, Joliette, Rimouski,
Roberval, St-Georges de Beauce,
St-Jean, St-Jérôme, Trois-Rivières,
Valleyfield

NEW BRUNSWICK DISTRICT

Suite 230
1133 St. George Blvd.
Moncton, N.B., E1E 4E1
(506) 851-6595

Charlottetown, Moncton

Fredericton, Grand Falls, Kentville,
St. John's, Summerside, Sussex,
Truro, Woodstock

1992-1997 CORPORATE OBJECTIVES

FCC's planning process incorporates input from staff and clients to develop corporate objectives for the next five years. The purpose of the process is to provide FCC with the strategic directions needed to carry out its mission and fulfill the mandate stated in the Farm Credit Act.



ERWIN AND COLETTE
ROHRBACH, DAIRY AND
SEED PRODUCERS AND
BROWN SWISS DAIRY
CATTLE BREEDERS OF
LACOMBE, ALBERTA,
WITH THEIR SONS
OLIVER AND NICOLAS.

The corporate objectives provide the framework by which regional operations and support services can plan and budget for the year ahead.

The corporate objectives identified by FCC's Board of Directors and Senior Management to be achieved by 1997 are:

- To have FCC's legislation amended to provide the Corporation with greater flexibility to contribute to Canadian agriculture.

The financing needs of the agricultural industry have become more sophisticated and complex. To increase its responsiveness to those needs and provide its clients with the high level of service they expect, the Corporation has requested amendments to the thirty-year old Farm Credit Act.

- To ensure FCC's viability by establishing and maintaining an appropriate capital structure represented by a debt-to-equity ratio of 7:1 by March 31, 1997.

The Corporation has made significant progress towards achieving the objectives set in its July 1988 Recovery Plan. FCC will continue to maintain cost recovery on operations and will work towards an improved balance between debt and equity.

- To maintain FCC's mortgage portfolio in excess of \$3.4 billion over the five-year planning period.

High arrears levels reached during the past decade have been steadily dropping due to loans being restructured or written off through the Farm Debt Review process. In addition, many of the long-term loans made prior to 1975 are maturing, and a large number of the more recent clients have chosen shorter amortization periods. These combined factors have caused the portfolio to decrease rapidly. FCC will maintain its portfolio by offering improved products and services and seeking new lending opportunities.

- To strengthen lending controls by implementing the enhanced Lending Control Framework.

FCC has developed comprehensive action plans to strengthen its current and future lending practices. Implementing a new lending framework will allow FCC to have a consistently high standard of measuring credit quality across the country, supported by accurate information and reporting systems, to ensure effective management and accountability for operations.

- To redesign information systems and upgrade technology through the implementation of the Information Strategic Plan (ISP), in order to provide FCC's staff and clients with timely and accurate information.

Using advanced information technology is critical to the success of any financial institution. Implementing the ISP will allow FCC to provide decision makers with timely, high quality information. The result will be better service to all clients.

- To design and implement the Human Resource Plan which will ensure the appropriate combination of qualifications and skills to meet future and ongoing needs.

The Corporation will experience significant change which will impact directly on current employees. Relocation of the head office to Regina, implementation of new technology and establishment of an updated mandate will present many challenges and opportunities. Through effective human resource planning, the Corporation will assist staff and management in dealing with the expected changes over the next five years.